

# **CITY OF NORWALK**

Audit Report

## **SPECIAL GAS TAX STREET FUND**

*July 1, 2020, through June 30, 2021*



**MALIA M. COHEN**  
California State Controller

June 2023



**MALIA M. COHEN**  
California State Controller

June 12, 2023

Jesus M. Gomez, City Manager  
City of Norwalk  
12700 Norwalk Boulevard, Room 3  
Norwalk, CA 90650

Dear Mr. Gomez:

The State Controller's Office audited the City of Norwalk's Special Gas Tax Street Fund to determine whether the city accounted for and expended its Special Gas Tax Street Fund in compliance with requirements for the period of July 1, 2020, through June 30, 2021.

Our audit found that the city accounted for and expended its Special Gas Tax Street Fund in compliance with requirements, and that no adjustment to the fund is required.

If you have any questions, please contact Efren Lose, Chief, Local Government Audits Bureau, by telephone at (916) 324-7226, or by email at [eloste@sco.ca.gov](mailto:eloste@sco.ca.gov).

Sincerely,

*Original signed by*

**KIMBERLY TARVIN, CPA**  
Chief, Division of Audits

KT/ac

cc: The Honorable Ana Valencia, Mayor  
City of Norwalk  
Jana Stuard, Director of Finance  
City of Norwalk

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the City of Norwalk's Special Gas Tax Street Fund to determine whether the city accounted for and expended its Special Gas Tax Street Fund in compliance with requirements for the period of July 1, 2020, through June 30, 2021.

Our audit found that the city accounted for and expended its Special Gas Tax Street Fund in compliance with requirements, and that no adjustment to the fund is required.

## Background

The State apportions funds monthly from the Highway Users Tax Account (HUTA) in the Transportation Tax Fund to cities and counties for the construction, maintenance, and operation of local streets and roads. The highway users taxes derive from state taxes on the sale of motor vehicle fuels. In accordance with Streets and Highways Code, cities must establish individual Special Gas Tax Street Funds for the deposit of their HUTA fund apportionments. Additionally, cities must expend their HUTA fund apportionments only for street-related purposes in accordance with Article XIX of the California Constitution and Streets and Highways Code.

## Audit Authority

We conducted this audit of the City of Norwalk's Special Gas Tax Street Fund in accordance with Government Code section 12410, which provides the SCO with general authority to audit the disbursement of state money for correctness, legality, and sufficient provisions of law for payment.

## Objective, Scope, and Methodology

Our audit objective was to determine whether the City of Norwalk accounted for and expended its Special Gas Tax Street Fund in compliance with Article XIX of the California Constitution and Streets and Highways Code.

The audit period was July 1, 2020, through June 30, 2021.

To achieve our objective, we completed the following procedures:

- We interviewed key personnel, completed an internal control questionnaire, and reviewed the city's organization chart to obtain an understanding of the internal controls to the extent necessary to plan the audit. We deemed all components of internal control significant to our audit objective of determining that the accounting and expenditures of the Special Gas Tax Street Fund in compliance with Article XIX of the California Constitution and Streets and Highways Code.
- We assessed the reliability of computer-processed data by reviewing existing information about the data and the system that produced it; by interviewing city officials knowledgeable about the data; and by tracing data to source documents, based on auditor judgment and non-

statistical sampling. We determined that the data was sufficiently reliable for the purposes of achieving our audit objective.

- We conducted a risk assessment to determine the nature, timing, and extent of substantive testing.
- We performed analytical procedures to identify and explain the existence of unusual or unexpected account balances.
- We verified the accuracy of fund balances by performing a fund balance reconciliation for the period of July 1, 2010, through June 30, 2020, and by recalculating the trial balance for the period of July 1, 2020, through June 30, 2021.
- We verified that the components of and changes to fund balances were properly computed, described, classified, and disclosed by scheduling and analyzing the Special Gas Tax Street Fund account balances.
- We reconciled the fund revenue recorded in the city ledger to the balance reported in the SCO's apportionment schedule for fiscal year 2020-21 to determine whether HUTA apportionments received by the city were completely accounted for.
- We reviewed city accruals and adjustments for validity and eligibility.
- We analyzed the system used to allocate interest and determined whether the interest revenue allocated to the Special Gas Tax Street Fund was fair and equitable by interviewing key personnel and recalculating all interest allocations for the audit period.
- We reviewed the fund cash and receivables accounts for unauthorized borrowing to determine whether unexpended HUTA funds were available for future street-related expenditures and protected from impairment.
- We verified that the expenditures incurred during the audit period were supported by proper documentation and eligible in accordance with the applicable criteria by testing all expenditure transactions that were equal to or greater than the significant item amount (calculated based on materiality threshold). We also judgmentally selected a non-statistical sample of transactions in the Transfer category; we tested \$802,498 of \$1,559,592. We found no errors.

We did not audit the city's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that the city accounted for and expended its Special Gas Tax Street Fund in accordance with the criteria.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

**Conclusion**

Our audit found that, for the period of July 1, 2020, through June 30, 2021, the City of Norwalk accounted for and expended its Special Gas Tax Street Fund in compliance with Article XIX of the California Constitution and Streets and Highways Code.

**Follow-up on Prior Audit Findings**

Our prior audit report for the period of July 1, 2009, through June 30, 2010, issued on May 18, 2011, disclosed no findings.

**Views of Responsible Officials**

We discussed the audit results with the City of Norwalk’s representatives during an exit conference conducted on April 20, 2023. At the exit conference, the city’s representatives agreed with the audit results.

**Restricted Use**

This audit report is solely for the information and use of the City of Norwalk and the SCO; it is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit distribution of this audit report, which is a matter of public record and is available on the SCO website at [www.sco.ca.gov](http://www.sco.ca.gov).

*Original signed by*

KIMBERLY TARVIN, CPA  
Chief, Division of Audits

June 12, 2023

**Schedule—  
Reconciliation of Fund Balance  
July 1, 2020, through June 30, 2021**

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	Special Gas Tax Street Fund <sup>1</sup>
Beginning fund balance per city	\$ 2,000,989
Revenues	2,364,061
Total funds available	4,365,050
Expenditures	(1,559,770)
Ending fund balance per city	2,805,280
Ending fund balance per audit	\$ 2,805,280

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<sup>1</sup> Cities receive apportionments from the HUTA, pursuant to Streets and Highways Code sections 2103, 2105, 2106, 2107, and 2107.5. The basis of the apportionments varies, but the money may be used for any street-related purpose. Streets and Highways Code section 2107.5 restricts apportionments to administration and engineering expenditures, except for cities with populations of fewer than 10,000 inhabitants. Those cities may use the funds for rights-of-way and for the construction of street systems. Cities must establish individual Special Gas Tax Street Funds for the deposit of their HUTA apportionments.

**State Controller's Office  
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